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C O N F I D E N T I A L HAVANA 000593

SIPDIS

E.O. 12958: DECL: 07/22/2013

TAGS: [PGOV](#) [EAGR](#) [ECON](#)

SUBJECT: LAND DISTRIBUTION PROPOSAL NOT QUITE ENOUGH

Classified By: COM Jonathan Farrar for reasons 1.4 (b) and (d)

¶1. (C) International press has focused attention on Raul Castro's announcement of Decree-law 259, which allows land to be granted to individuals and corporations "en usufructo," meaning that the state retains ultimate control as landlord, but those who receive and work the land can profit from the sale of its produce. The move is being touted as a significant step forward. In one sense it is. The very fact that the GOC is recognizing that land tenure is a key component in increasing agricultural productivity is important. However, Decree-law 259 comes with quite a bit of small print that makes it less attractive as a reform than it could be. More regulations governing the operation of Decree-law 259 will be forthcoming in August in something akin to implementing legislation, but it is not clear that these will be an improvement.

¶2. (C) Perhaps most importantly within the context of Decree-law 259 itself, the concept of "en usufructo" does not allow for actual ownership. Also, the law is biased towards use by the large state enterprises and collective farms, which made the agricultural sector such a mess in the first place. Individuals are to be granted use of the land for ten years with the possibility of an additional ten years, while corporations are granted use for 25 years with the possibility of an additional 25 years.

¶3. (C) Another provision states, somewhat ambiguously, that the land should be used to produce the same crop/livestock as it always had, thus preventing the "owner" from deciding on the best use of the land. The uncertainty created by this ambiguity may discourage individuals from stepping forward. Individuals, but not corporations, also can lose their use of the land if they do not fulfill production contracts with the state. The Decree-law does not address prices, which may be discussed in August, but if prices continue to be set by the state, which is entirely possible, it will be another disincentive to work the land.

¶4. (C) The size of the parcels to be transferred will not be large. A maximum of 13.42 ha (33.16 acres) can be transferred to an individual or entity that is not already an owner or tenant of land, and a maximum of 40.26 ha (99.49 acres) can be transferred to an individual or entity that already is working some land.

¶5. (C) One point made emphatically by Raul Castro in his July 11 speech to the National Assembly (septel) is that Cubans are going to have to learn to pay taxes. Decree-law 259 provides for taxation of the owners/tenant of productive agricultural land. The purpose of the taxes is to pay for the material, equipment and fertilizers, etc, that the government will provide to the users of vacant land to bring it back into production. While this seems logical enough, it

may be painful for Cubans who have grown accustomed to the state providing for needs without resort to explicit taxes.

¶6. (C) COMMENT: As one local opposition commentator has said, the main characteristic of Decree-law 259 is that it maintains the absolute control of the state in the agricultural sector. While the concept of land reform is indeed critical to returning Cuba to a state of agricultural self-sufficiency (fully 50% of formerly cultivated lands are now abandoned), it cannot be accomplished unless the GOC becomes willing to break out of the revolutionary strictures that created the current disaster in the first place. Decree-law 259 shows it is not there yet.

FARRAR